



CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS FACT SHEET

On February 17, 2009, President Obama signed into law a \$787 billion stimulus bill, The American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA encourages public finance participants to combine various types of financial obligations and tax credits in order to finance projects.

Recovery Zone Economic Development Bonds (RZEDBs) are a new type of taxable governmental bond, similar to the more widely known Build America Bonds (BABs), that provide issuers with a direct 45% federal interest subsidy or provide bondholders with a tax credit of 45% of the interest payable. Bond proceeds expenditures must be for property within a recovery zone or otherwise promote economic activity therein.

What are Recovery Zone Economic Development Bonds?	<p>Recovery Zone Economic Development Bonds (RZEDBs) are taxable governmental bonds issued before January 1, 2011, if:</p> <ul style="list-style-type: none">• 100% of the net available project proceeds of the issue are used in a designated Recovery Zone for qualified economic development purposes, and• RZEDBs can only be issued to fund projects that are started after an area has been designated as a recovery zone
What is a Recovery Zone?	<p>A Recovery Zone is defined as:</p> <ul style="list-style-type: none">• Any area designated by the jurisdiction as having significant poverty, unemployment, rate of home foreclosures or general distress• Any area designated as economically distressed by reason of closure or realignment of military installation pursuant to the Defense Base Closure and Realignment Act of 1990• Any area currently designated as an Empowerment Zone or Renewal Community
What are the eligible uses of RZEDBs proceeds?	<p>Eligible uses of RZEDBs include:</p> <ul style="list-style-type: none">• New money capital expenditures for property in a Recovery Zone• Public infrastructure or facilities (wherever located) that promote economic activity in a Recovery Zone• Expenditures for job training and educational programs <p>Additional eligible expenditures include: costs of issuance of not more than two percent (2%) of the proceeds, and a reasonably required reserve fund</p>
How much RZEDBs can be issued by an eligible issuer?	<p>Local issuance of RZEDBs is limited to the amount of RZEDB allocation a county or large city receives from the State through the allocation process.</p> <ul style="list-style-type: none">• Any city having a population greater than 100,000 or county that experienced a decline in total employment between 2007 and 2008 based on the U.S. Department of Labor Statistics data for that period. (See http://www.irs.gov/pub/irs-drop/n-09-50.pdf).• The State will reallocate issuer volume cap amounts among its counties and large cities greater than 100,000 in population. Please see www.treasurer.ca.gov/cdlac/news/notice.pdf.• The ARRA permits a county or large city to waive all or part of its allocation of the State bond limitations to allow further allocation within that State
How does the RZEDB interest subsidy work?	<p>On each interest payment date, the issuer of RZEDBs receives a 45% direct cash payment from the Treasury Department. The IRS and Treasury Department are currently soliciting public comment on several issues related to direct payment procedures for these types of bonds</p>
What is a pooled bond program for RZEDBs?	<p>A pooled bond program is a vehicle for several eligible cities and counties to aggregate RZEDBs financings into one large bond issuance to:</p> <ul style="list-style-type: none">• Access the taxable market in a cost effective manner, through economies of scale• Lower interest costs• Deliver project directed bond proceeds quickly by accessing a ready-assembled bond financing team• Lower administrative costs and burdens to the participating cities and counties over the life of the financing